



## 3 Reasons Why Bank of Nova Scotia (TSX:BNS) Will Outperform Its Peers Over the Next 30 Years

### Description

Canada's third-largest bank by market capitalization, **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) reported its second-quarter earnings [last week](#) for the 2019 fiscal year, and the results were, for the most part, inconsequential.

Earnings in Q2 were \$1.73 per share, up modestly compared to earnings of \$1.70 per share from the same period a year ago. Meanwhile, returns on equity (ROE) were down slightly from 14.9% a year ago to 13.8% for the quarter ended April 30.

But the big story with the bank continues to be its continued execution on the three pillars of its strategy that it hopes will help to transform its business into a more well-rounded, digital and global enterprise.

### Continued expansion into international markets

One thing that the Canadian banks have continued to do over the past decade or so – and quite successfully I might add – is use the strength of their collective reputations to expand, and branch out into faster growing international markets.

In the second quarter, BNS completed its previously announced acquisitions in Peru and the Dominican Republic, while it continues to work on its acquisitions of BBVA Chile that closed in the third quarter of last year and its acquisition of Citibank's (owned by parent company **Citigroup Inc**) Columbian personal and small business division.

Not only do foreign jurisdictions represent a growth opportunity for BNS to tap into, but they also help diversify the bank's risk exposure to the Canadian market.

## Setting apart wealth management as a distinct business operation

During the second quarter, the bank also announced that it would be establishing a new business division, Global Wealth Management, as a standalone business segment effective for the 2020 fiscal year.

When it comes to wealth management among Canada's biggest banks, **Royal Bank of Canada** would typically be the first name to come to mind, but although Royal's taken steps to grow its wealth business internationally in recent years, it still only gets less than 20% of its earnings from foreign operations, meaning that there's still a large slice of the pie left for Scotiabank to bite into.

## Investing in a digital future

Beyond expanding internationally, BNS is also busy making investments in technology back home.

During the second quarter, the Scotiabank continued to deliver on its plan to improve its positioning as a digital bank of tomorrow by launching two new online platforms, "Healthcare + Physicians" and "eHome."

While the bank has been creating tailored offerings for professionals and small business owners for years, the Healthcare + Physicians platform is targeted directly at healthcare professionals managing their own private clinics.

Meanwhile, e-Home is another advancement in bringing digital banking services direct-to-the-customer, thereby allowing Canadians to apply for personal mortgages from the convenience of their homes without requiring in-person appointments or visits to a local branch.

## Foolish bottom line

We may not know exactly what the future holds in store for us, but what we do know that international markets and digital supply chains are offering attractive opportunities for most businesses, at least for now.

I firmly believe that Scotiabank is doing the right thing by continuing to invest on both of these fronts.

While the next thirty years for Canadian banks may end up looking different than the last thirty have, investing into new [areas of growth](#) certainly seems like the right approach to take.

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